

AUDIT COMMITTEE ACTIVITY REPORT

FY2017 (July 1, 2016 – June 30, 2017)

Prepared by the Audit Committee for the Commission Chair and Vice-Chair, and
Submission to the Full Commission

Report Date: September 20, 2017

Audit Committee Members (FY17):

Dorothy Bailey, Prince George's County Planning Board
Norman Dreyfuss, Montgomery County Planning Board
Karen Tobat, Public Member

INTRODUCTION

The Audit Committee serves as a forum, separate from management, in which auditors and other interested parties may identify and discuss concerns related to financial reporting and internal controls.

Maryland-National Capital Park and Planning Commission (M-NCPPC) Practice No. 1-31, *Organization and Functions of the Audit Committee*, governs the establishment, composition and function of the Audit Committee. The Practice also requires the Audit Committee to submit the following annual reports:

- A written report that addresses how the Committee discharged its duties and met its responsibilities.
- A summary of significant audit findings as prepared by the Internal Auditor.
- Evaluation of the adequacy of internal controls; the agency's adherence to financial regulations/policies; and any other significant concerns/complaints that were filed with or identified by the Audit Committee.

The Audit Committee hereby submits its written annual report of our activity and findings for fiscal year 2017 (July 1, 2016 – June 30, 2017) per the requirements detailed above.

DISCHARGE OF DUTIES

Audit Committee Meetings and Communications

The Audit Committee (AC) is required to hold at least four meetings during each year to discuss proposed audits and investigations. For FY17, the AC met four times: October 21, 2016, January 20, 2017, April 26, 2017, and June 21, 2017. The first three meetings were held via teleconference; the June meeting was held in person at the Montgomery Regional Office, Silver Spring, MD. The Chief Internal Auditor issues an agenda and maintains meeting minutes for these meetings.

In addition to the quarterly meetings, the AC meets as needed, mornings of the M-NCPPC bi-county Commission meetings. Other participants (e.g. Secretary-Treasurer, Legal Counsel, Chief Internal Auditor and/or External Auditor) participate as needed.

Internal Auditor

The Audit Committee provides technical and substantive oversight and direction for the internal audit program lead by Ms. Renee Kenney, Chief Internal Auditor.

Review and Approval of Internal Audit Plan – On June 3, 2016, the AC formally approved the FY17 Audit Plan submitted by Ms. Kenney¹. The results of the Commission wide risk assessment/interviews were used to develop the plan.

¹ On June 21, 2017, the AC formally approved by FY18 Audit Plan.

External Auditors

The Audit Committee is responsible for appointment, compensation, retention, and oversight of the work of any external auditor engaged for the purpose of performing independent audit services, reviews or attest services.

- Each fiscal year, the Office of the Secretary-Treasurer submits a Comprehensive Annual Financial Report (CAFR), in accordance with the Land Use Article of the Annotated Code of Maryland. In conjunction with the CAFR, State statute requires an annual audit by independent certified public accountants. The Commission selected the accounting firm of SB & Company to complete the FY17 external review (year 2 of a 5 year contract). The following meetings were held with the external auditors:
 - July 20, 2016 – (scope and objective of the FY16 Audit)
 - December 21, 2016 – (results of FY16 Audit)
 - June 21, 2017 – (scope and objective of FY17 Audit)
- As required per House Bill 675 (2015 Legislative Session) the Maryland State Office of Legislative Audits (OLA) was required to conduct a performance audit evaluating the Commission's project management practices with respect to its capital program in Prince George's County. The external audit commenced in March 2016 and to date, is still in progress. A closing meeting was held on May 3, 2017 with OLA to discuss the preliminary findings and recommendations. Next steps include OLA's issuance of a draft report and submission of final Commission responses to the recommendations. The AC asked Ms. Kenney to inform them of any significant audit findings.

SUMMARY OF SIGNIFICANT AUDIT FINDINGS

The Chief Internal Auditor submitted the Office of Internal Audit's (OIA's) Fiscal Year 2017 Annual Report to the Audit Committee on July 6, 2017. Per the report:

The OIA relies on the auditor's professional judgment when assigning risk ratings (high, medium, or low) to individual audit findings. A high risk rating indicates a deficiency in the design or operation of an internal control procedure(s) that could adversely affect an operating unit's ability to safeguard assets, comply with laws and regulations, and ensure transactions are properly executed and recorded on a timely basis.

If the overall control environment for the unit or process being audited requires management's immediate attention, details of the deficiencies are included in the "Major Audit Concerns" section of the report.

For FY17 the OIA completed 19 Performance Audits and 11 Fraud, Waste, and Abuse reviews. During the completion of these audits, the OIA identified 52 high risk audit findings; and 13 of the audit reports included a major audit concern. The Commission members to be provided additional details, under separate cover, addressing these findings.

Also per the OIA, the following high risk audit findings appear to be pervasive throughout the Commission:

- Lack of managerial oversight
- Cash handling (program receipts and customer deposits)
- Inaccurate time cards
- Lack of controls over controlled assets

FRAUD, WASTE, AND ABUSE (FWA) REVIEWS

In FY17, the OIA completed eleven (11) FWA reviews. Eight of the 11 reviews contained a conclusion of fraud, waste, or abuse. The Commission members to be provided additional details, under separate cover, addressing these reviews.

ADEQUACY OF INTERNAL CONTROLS

Per the Office of Internal Audit's Fiscal Year 2017 Annual Report to the Audit Committee:

It is the opinion of the Chief Internal Auditor that the internal control systems and processes for the Commission's fiscal, operational, and information technology (IT) activities and applications/systems are effective.

Based on our review of the audit reports and discussions with Commission personnel, the AC agrees with the Chief Internal Auditor's assessment of the adequacy of the Commission's internal control structure.

OTHER CONCERNS AND COMPLAINTS

As part of our reporting requirements, the AC is required to advise the Commission Chair and Vice-Chair of any Committee concerns arising from any audit/investigation reports. No additional concerns were raised in FY17.

CONCLUSION

The Audit Committee once again recognizes continued compliance with existing policies and timely corrective action by management in response to the audit findings. M-NCPPC's leaders at all levels (i.e. executive through division management) continue to demonstrate their commitment to hold themselves as financial stewards for the Commission.